A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

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DECEMBER, 1984

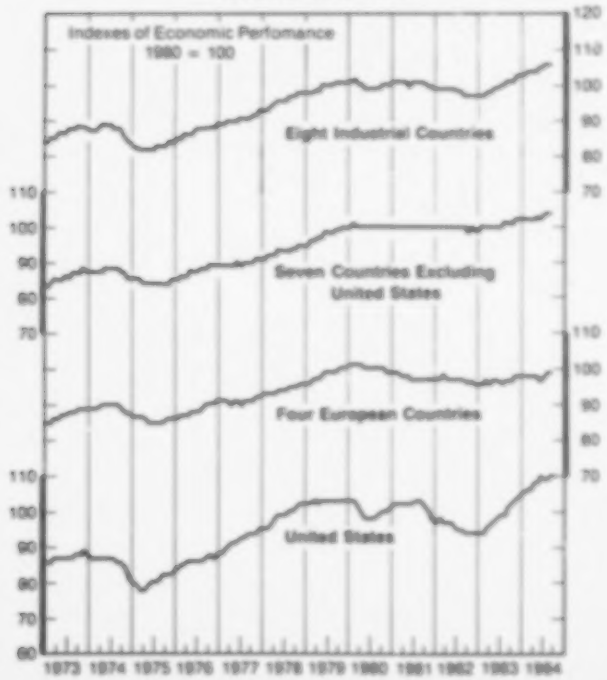
SUMMARY

Japan and Australia are neck-and-neck for first place among the leading index growth curves, with 9% and 8% rates, respectively, for September. These results suggest that advances in the economic performance indexes for both countries will persist for some months ahead. In Canada, West Germany, France and Italy, 4 to 6% growth rates in the leading indexes are reported, indicating a modest pace ahead for the performance indexes. On the bottom rung are the United States and the United Kingdom, with leading index rates of 1% and –1%. But the two countries reached this unenviable position by very different routes—the U.S. after achieving a notably rapid advance along the performance trail for the past year and a half, the U.K. after getting its performance index above the 2% trend growth rate for a few months at the end of 1983 and then slumping again.

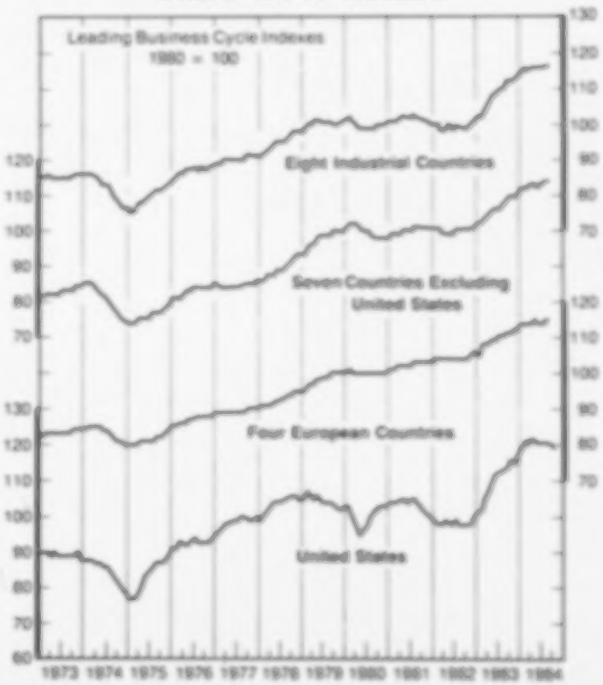
	Ten-year Growth Rate 1969-79	Indexes of Economic Performance Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates* 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
	annual rates, percent								
United States	3	11	9	6	10	3	1	Expansion slowing	Oct.
Canada	4	3	4	3	7	6	4	Expansion slowing	Sept.
United Kingdom	2	1	1	1	3	0	– 1	Recovery stalling	Sept.
West Germany	3	2	– 3	3	5	3	4	Recovery continuing	Sept.
France	4	0	– 1	1	10	6	6	Recovery continuing	Sept.
Italy	3	0	– 1	0	9	6	4	Recovery getting under way	May/Aug.
Japan	5	4	4	3	10	7	9	Expansion continuing	Sept.
Australia	4	11	9	8	11	6	8	Expansion continuing	Sept.
8 countries	3	6	6	4	9	5	4	Expansion slowing	Sept.
7 countries ex. U.S.	4	2	1	3	8	5	5	Expansion continuing	Sept.
4 European countries	3	1	– 1	2	6	3	3	Recovery getting under way	Sept.

*Annual rate based on ratio of current month's index to average index over the preceding 12 months.

Where We Are


Indexes of Economic Performance
1980 = 100
Eight Industrial Countries
Seven Countries Excluding United States
Four European Countries
United States
1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984

Where We're Headed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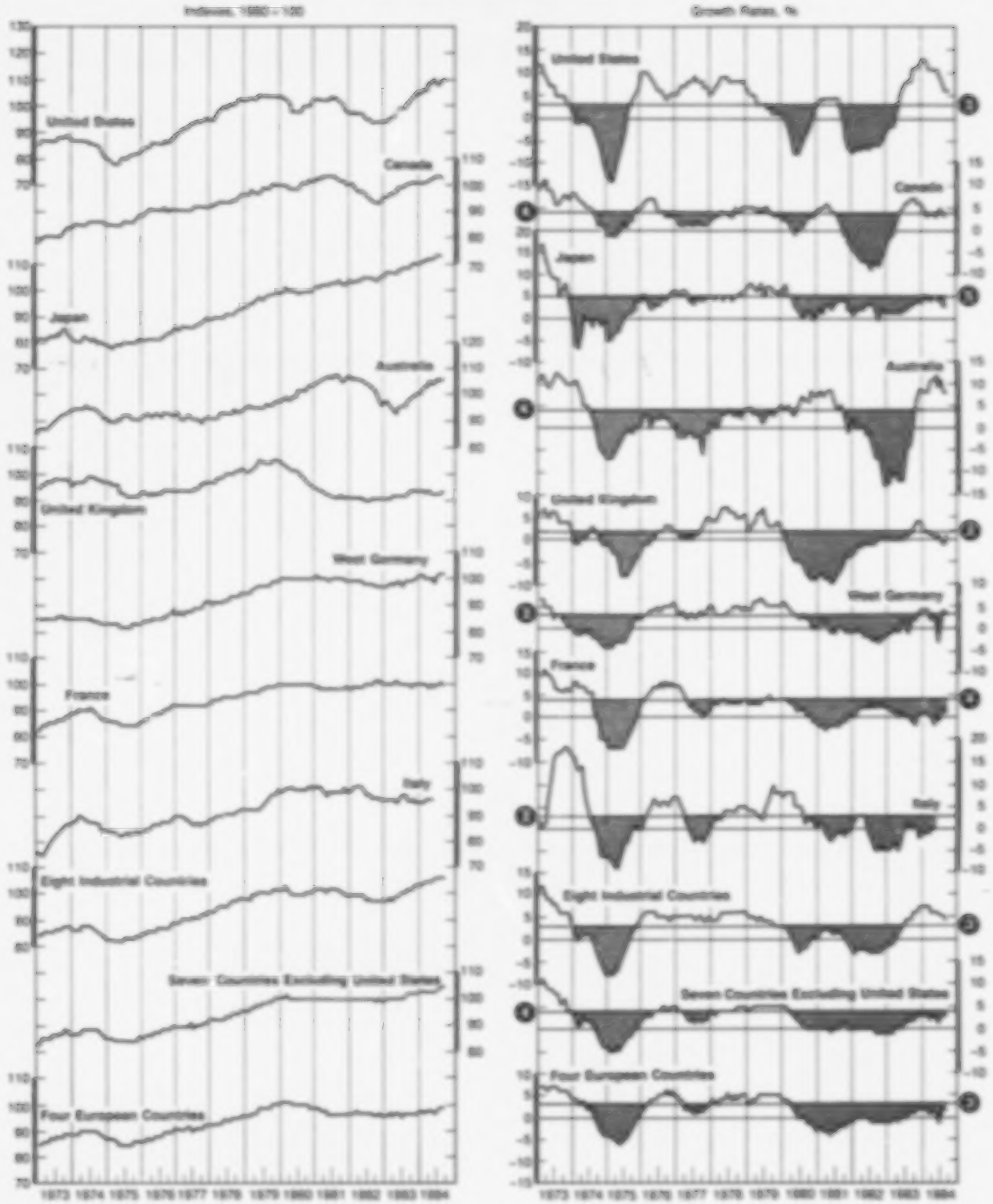
Where We Are

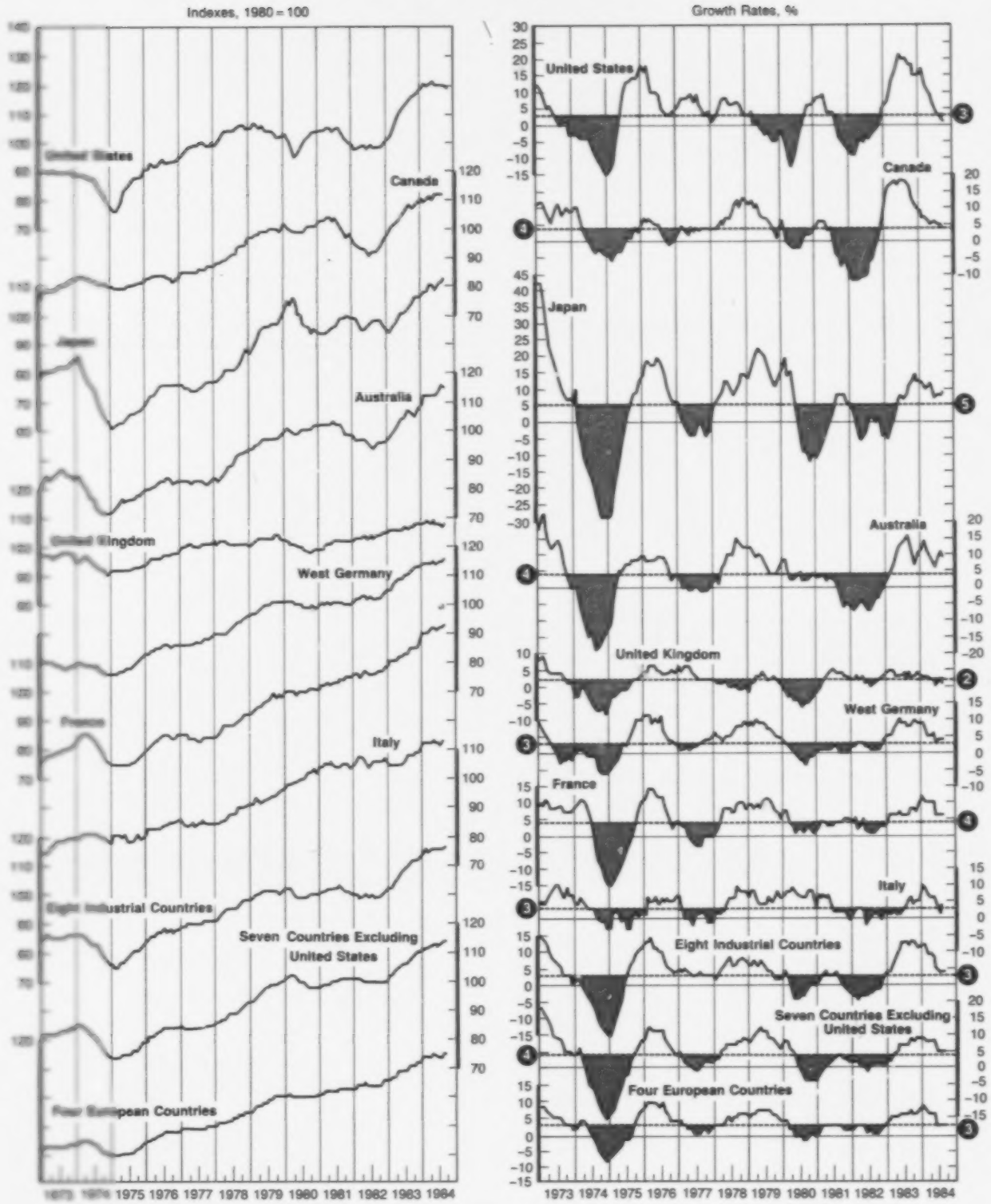
Indexes of Economic Performance



Note: Horizontal dashed lines are average growth rates for 1960-79 in the index and in real GNP.
Source: The Conference Board

Where We're Headed

Leading Business Cycle Indexes



Note: Horizontal dash lines are average growth rates for 1960-79 in the index and in real GNP.
Source: The Conference Board

IS THE U.S. "GROWTH RECESSION" SPREADING?

After rapid recovery in 1983 and the first half of 1984, U.S. economic growth slowed dramatically. Numerous economic forecasters have speculated that growth in U.S. output will continue to be slow in 1985. In the late 1960s, students of business cycles coined the term "growth recession" to describe a period in which the economy slows sharply but nonetheless still keeps moving forward. Recently the term has been applied to the current U.S. economic slowdown.

Growth recessions are part of a broader analytical tool known as the growth cycle, which is a modification of the concept of the business cycle. It consists of a period of relatively high growth rates in many economic activities followed by a period of similarly widespread low growth rates, which merges into the high growth phase of the next cycle. The dates when economic slowdowns begin and end, referred to as peaks and troughs, are recorded in growth cycle chronologies and are available for each of the countries covered in the *Scoreboard*.

In this issue, we examine real gross national product growth rates for five major industrialized economies in the current growth cycle and in previous ones to determine if the U.S. slowdown is unique or if other countries are experiencing the same thing. In this context, we discuss recent consensus forecasts of growth of real output in 1985 for the five nations reported by a group of forty prominent experts and regularly published in *Blue Chip Economic Worldscan*.

The Timing and Magnitude of Economic Recovery

Chart I depicts the growth rates of real gross national product for the United States, the United Kingdom, West Germany, Japan, and Australia during the current and previous growth recoveries. It shows that economic recovery began in the U.S. in late 1982 and that by mid-1983 the expansion really started to pick up momentum. By late 1983, growth in real output was close to the typical rate for the end of the first year of expansion. In the first half of 1984, however, the growth rates in real GNP became substantially higher than the average rates for comparable stages of earlier expansions. (The railroad track line shows the average behavior during upswings in U.S. growth cycles since the early 1950s.) In the third quarter, as noted above, the growth rate of real GNP dropped sharply. There is a strong probability that June 1984 will be selected as a growth cycle peak for the U.S.

Europe and Japan fared less well in 1983 and early 1984 than did the U.S. In fact, the vigor of the growth in output in this country at that time amazed most foreign observers. The recession of the early 1980s persisted in Japan, the United Kingdom and West Germany through the second or third quarter of 1983. Even after economic recovery commenced in those countries, their advances were relatively slow compared with U.S. developments as well as with their own previous experience. As Dr. Arthur F. Burns, U.S. Ambassador to the Federal Republic of Germany, said in a recent interview: "The vitality, the dynamism of Europe—of the European economy—isn't what it was in the decades immediately following the end of World War II." In contrast, economic growth in Australia was strong from mid-1983 to mid-1984. Developments there look a lot like those in the United States.

Chart 1 shows that all five countries are at that stage of the growth cycle process after which economic growth would be expected to proceed at a more leisurely pace, according to past patterns of behavior. (Note the declining paths taken by the railroad track line.) In each of the countries except Japan there is evidence that that pattern is taking hold, although special factors account for some of the recent sharp cutbacks (strikes in Britain and West Germany, and a drop in farm output in Australia).

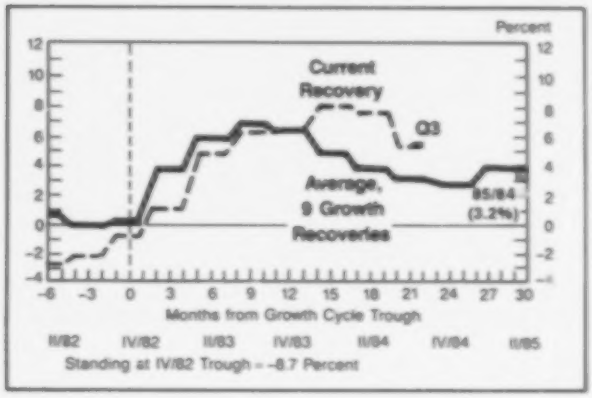
Forecasts of Real GNP for 1985

Forecasts compiled by *Blue Chip Economic Worldscan* show that economists expect relatively slow growth in real GNP for these five countries in 1985. The latest consensus forecasts (the median for the group of 40 in November) are that the growth rates for the five countries will roughly range from 2½ to 4½ percent in 1985. For the U.S., real GNP is projected to be 3.2% higher in 1985 than in 1984, while Japanese GNP will advance 4.3%. British and German growth rates are forecast to be 2.4% and 2.7%, respectively, while the Australian increase is predicted to be 3.6%. The bunching of the growth rates for the five countries for 1985 contrasts sharply with the wide differentials in the actual growth performance in 1983 and 1984.

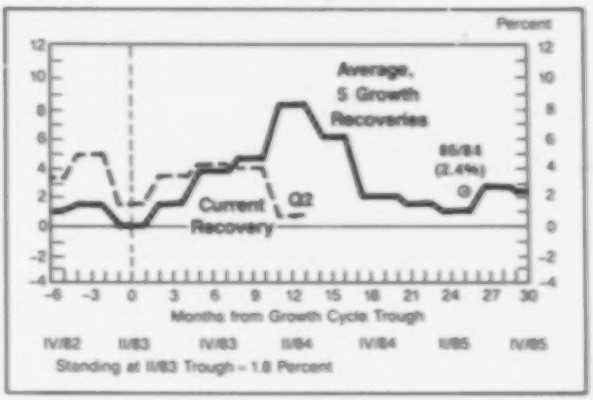
It is apparent that the *Worldscan* respondents are being somewhat conservative in their appraisals of the course of economic growth in West Germany, Japan and Australia in 1985, as compared with the average growth path during previous recoveries. For the U.S. and the U.K., however, the projected growth rates are right in line with past experience.

Real GNP Growth Rates in Current and Previous Growth Cycle Recoveries, Five Countries

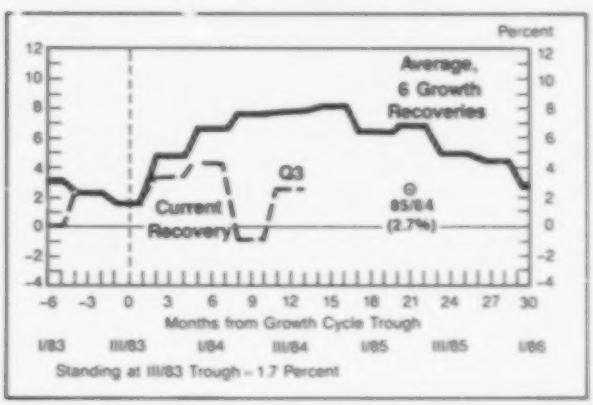
United States



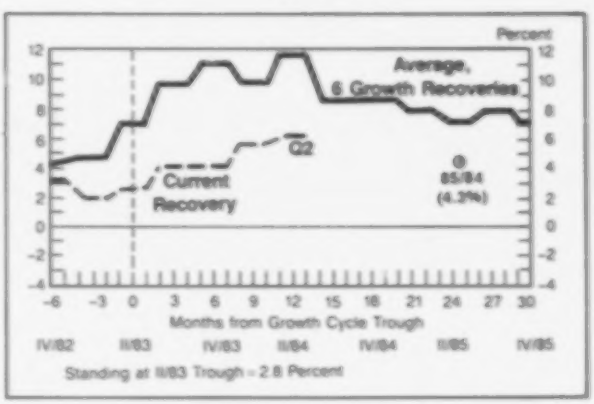
United Kingdom



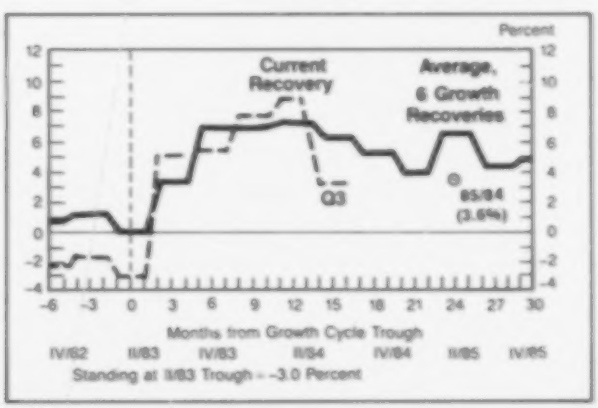
West Germany



Japan



Australia



●Forecast change, 1984 to 1985. *Blue Chip Economic Worldscan*, Consensus, November 1984.